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C O N F I D E N T I A L AMMAN 001405

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E.O. 12958: DECL: 02/27/2016
TAGS: EFIN ECON KWBG KPAL KTFN JO
SUBJECT: ARAB BANK REQUESTS USG GUIDANCE ON HANDLING
PALESTINIAN AUTHORITY FINANCIAL ACCOUNTS

Classified By: Ambassador David Hale for reasons 1.4 (b,d).

¶1. (C) SUMMARY: The expectation of a Hamas led Palestinian government is raising a number of regulatory compliance questions for Jordanian banks, the major handlers of banking transactions in the Palestinian territories. Arab Bank, the third largest regional bank in the Middle East and largest in the Palestinian territories, is currently formulating a policy on how to handle banking transactions (including USAID-related payments) for the Palestinian Authority once a Hamas-led government is in place. Toward this end, it has requested USG guidance in a letter to Department of Treasury's FinCen Acting Director. END SUMMARY.

¶2. (SBU) On February 15, Ambassador received a copy of a letter (dated February 14) from Arab Bank Compliance Director Michael Matossian to William Baity, Acting Director of FinCEN at the Department of Treasury (DoT). Arab Bank CEO Abdel Hamid Shoman sent the letter with a cover note reiterating the letter's request for USG guidance.

¶3. (SBU) Summary of text of letter:

BEGIN TEXT

Arab Bank requests guidance on how to conduct business with a Palestinian government compromised of individuals affiliated with Hamas. Arab Bank currently handles over half of bank payments made within (the) Palestinian Territories. They have 22 branches in the West Bank and Gaza that process payrolls for the Palestinian Authority and municipal governments.

Of significant importance, Arab Bank processes aid payments from USAID and other government and non-government donors.

Specifically, Arab Bank requests clarity on U.S. law governing financial relationships with a governing body that includes members of, or is connected to, a Specially Designated Global Terrorist and Foreign Terrorist Organization. Does such affiliation require that Arab Bank cease all payments to the government agency as a whole?

END TEXT OF SUMMARY

¶4. (C) NOTE AND COMMENT: In August 2005, Arab Bank was assessed a \$24 million civil money penalty by FinCEN and the Office of the Comptroller of the Currency (OCC) for failing to implement an adequate anti-money laundering and terrorist financing program in their New York branch. Since then, Arab Bank has hired American expert Michael

Matossian as its regulatory Compliance Director for its entire global operations. Through that important management decision, this pro-active request for USG guidance, and its enhanced policy of vetting depositors with a stringent clearance process, Arab Bank is demonstrating the extent of its continued, keen desire to strengthen its regulatory compliance regime for countering terrorism financing. END NOTE AND COMMENT.

15. (U) Read all of Amman's Classified cable traffic at <http://cables.state.sgov.gov/ncddos/cable/country/JOR/home.html>.

HALE